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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000117

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OFFICIAL INFORMAL

FOR SA/INS

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LTTE DECLINES TOKYO FOLLOWUP MTG INVITE

1. (C) FYI. Late January 22, the pro-LTTE website, "TamilNet," reported that the Tigers will not attend the Tokyo donors followup meeting scheduled for January 23 in Colombo. LTTE political leader Thamilselvan declined the invitation on the grounds that there was "no political stability and unified leadership of government in Colombo now." As reported, the Jan. 23 meeting, hosted by Japanese Special Envoy Akashi, will bring bilateral and multilateral donors together with the GSL to discuss assistance issues. The Ambassador will represent the U.S. at the meeting. By the way, the LTTE turn down of its invitation was pretty much expected.

2. (C) In other news regarding the Tigers, LTTE spokesman Anton Balasingham has spoken out in strident opposition to the Sri Lanka Freedom Party (SLFP)-Janatha Vimukthi Peramuna (JVP) alliance. In a January 21 report on pro-Tiger website "TamilNet," Balasingham asserted that:

"The memorandum of understanding signed between the JVP and the SLFP after a year of intense dialogue fails to produce any concrete, realistic formula for a negotiated settlement of the Tamil national question. Rather, this anti-peace political pact articulating an incoherent, confused and mutually contradictory position on a serious national issue might create objective conditions for the resumption of ethnic war."

3. (C) Balasingham went on to add that the Tiger leadership was "studying with great concern the unified reemergence of Sinhala-Buddhist chauvinistic forces under the new banner of the so-called United People's Freedom Alliance. This alliance is opposed to peace and peaceful resolution of the ethnic conflict." Balasingham's comments come amid other TamilNet headlines stating things like "LTTE commander warns of grave consequences" and "Tamils ready to face war." Clearly the LTTE is a tad restless. (POL)

PROVINCIAL COUNCIL ELECTIONS ON APRIL 28?

4. (C) FYI. At its weekly meeting on January 21, in which both the President and PM were in attendance, the full Cabinet reportedly agreed to hold the Provincial Council (PC) elections on April 28. (The President's attendance at this weekly meeting is a great rarity, especially in these hard-bitten cohabitation days. It is not clear whether her attendance presages some sort of thaw with the PM, but most observers do not think so. By the way, we have heard that the President-PM joint committee meetings have been further postponed.) According to contacts, the details of the PC elections and possible electoral reforms to be implemented prior to them may be finalized in the coming days. Media reports suggest that the apparent bipartisan decision on when to hold the PC elections may preclude the possibility of an earlier general election. While we think scheduled PC elections may lower the probability of a sudden general election, we note that there are still a lot of calendar days between now and April 28. (POL)

UPDATE ON MINISTERIAL OFFICIALS IN CHARGE

5. (SBU) FYI. Pls also pass to INR/NESA: In light of the President's November 4 ministerial takeovers, we

want to flag the names of officials she has put in charge. Here goes:

-- In the Defense Ministry, Cyril Herath replaced Austin Fernando as Secretary. (Herath represented the Defense Ministry in New Delhi during the recent defense cooperation talks.)
-- Tilak Ranaviraja replaced Kumar Abeysinghe as Secretary of the Ministry of Information and

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Telecommunications (formerly Ministry of Mass Communications).

-- M.N. Junaid remains as Secretary of the Ministry of Internal Security (formerly the Ministry of Interior). The President herself remains in charge of all three ministries and, as such, has not appointed any ministers. (POL)

BAD BEHAVIOR GIVES UNP BLACK EYE

16. (SBU) FYI. Just want to flag some local stories that are giving the UNP government a black eye. In an ever deepening scandal, Thilanga Sumathipala, Sri Lankan Telecom chairman and president of Sri Lanka's cricket board (both major jobs here, perhaps the latter more so), is accused of massive corruption and connections to a well-known underworld figure who was slain in a courtroom in Colombo recently. Sumathipala, who is in jail pending trial, is a GSL strong supporter and donor, and the PM has resisted pressure to fire him from either his telecom or cricket board jobs. In a separate incident that made the UNP look a bit thuggish, the sons of two GSL ministers (Mahinda Wijesekara and S.B. Dissanayake) were recently arrested for allegedly attacking another minister's (Kabir Hashem) relatives outside a Colombo nightclub. The three attackers were released on bail and are awaiting trial. These things go up and down, but the UNP is taking some flak for alleged bad behavior of late. (POL)

Discussion on IMF Visit

17. (C) We talked with Jeremy Carter the IMF ResRep today. He said the visit last week was not great, that the GSL did not rise to the occasion and that the loan tranche for this year was unlikely, as the IMF was putting Sri Lanka back in the Article IV process. The board will meet in March and another review will likely take place in May. We will do more front channel on this next week, but wanted to send a few quick points:

--according to Carter, missing the USD 80 million loan tranche is unlikely to cause a big problem, unless GSL tries to defend its currency in an unwise fashion.

--there is the potential for some problems if WB and Japanese hold off on their budgetary assistance, as potential amount is closer to USD 200 million. Required financing could affect the fiscal deficit target and could put pressure on interest rates.

We're going to try to get with WB and Japanese to see what more we can glean. (ECON)

MPP

18. (U) FYI - we're working hard to get draft MPPs for both our countries into SA next week as requested but continue to be plagued with software/database problems. Latest woe is that trying to print out a copy results in being thrown into a worldwide queue that may or may not spit out a copy some hours from now (all of this from the MPP helpdesk which also told us they can't do anything to help speed along our print request). (DCM)

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